

## Taking control of your finances during and after a relationship breakdown

The information in this guide aims to equip you with some sound financial guidance to help you manage the financial aspects during a relationship breakdown.

The emotional rollercoaster people find themselves on as they go through a relationship breakdown is exacerbated with the need to negotiate divisions of property and assets. Sound, objective advice is essential at this time. It is so important to get this advice early as it can impact on your future financial situation. It will help you adopt strategies to gain more control over how your assets are divided and to minimise the tax consequences.

The division of property following the failure of a marriage or de facto relationship is the greatest single destroyer of personal wealth. Your combined financial strength is broken into two halves.

It's important to remember that what's happening to you is not unique. Today roughly one in three marriages ends in divorce. It's regrettable but it's real and people have to move on. The main reason to enlist the help of a financial adviser is to make sure you understand all the financial issues involved in a divorce and that you have the structures in place to manage your finances as a single person.

### How to overcome the hurdles

Some couples are able to resolve the financial issues quite amicably. Others find that once it comes down to money and possessions, tensions arise and this can become one of the most difficult phases of the divorce.

If you have a clear understanding of the issues, you will know what to expect and how best to resolve them. Having your financial adviser on-hand to answer your questions and guide you through the process is very reassuring, during what is inevitably a stressful time.

### Thinking and planning ahead

Whether or not you were involved in financial decisions during your marriage, once you are on your own you will have to take complete control of your finances.

Managing your everyday finances on your own as a single person can be quite demanding. Not only paying the household bills, but also making sure you and your dependants are financially looked after. There are so many aspects to think of that some may be overlooked, making you vulnerable. Your financial adviser's job is to make sure all the boxes are ticked, so that you can sleep easy.

You may connect with a new partner in time, but you don't know if and when that may happen. Right now you are responsible for your future and you have to plan ahead.

### Benefits of Seeking Financial Advice

Divorce or relationship breakdown can change your life and emotional state quite rapidly. During such a difficult time, it is important to have professionals who you can rely on and trust to look at your financial situation objectively and help you get back on your feet. You will benefit from:

- Peace of mind in knowing that your situation is being handled by an experienced professional.
- Simplified financial affairs in a language that you understand.
- Protection of your finances and having someone you can trust who has your best interest at heart.

There are several important areas to take care of:

- **Protecting your assets** - Ensure that the assets you have are not going to be split again in the future. Do you know there are structures which can protect your assets now and for future generations? Which one is suitable for your situation?
- **Managing the tax consequences** - Have you considered the potential tax you might have to pay on the assets you receive from your property settlement? Careful planning can reduce your tax.
- **Superannuation** – Do you understand the tax advantages of super? Understanding superannuation and how a relationship breakdown can affect it can impact on when you retire.
- **Debt management** - Can you repay the debt you end up with? Budgeting, controlling what you spend and making sure you can service your debt. There may be ways to re-structure your debt to help you pay it off quicker.

- **Insurance** - Are you and your family now adequately insured in case something goes wrong? Is your “ex” a beneficiary of any of your policies?
- **Estate planning** – Have you removed your former spouse as beneficiary and/or controller of your estate? Is your ex-spouse a beneficiary of your super fund? Having an up-to-date Will and associated documents, (appropriate to your changed circumstances) ensures that the right people benefit from your estate.

We understand that, whilst you need advice on how to take control of your finances, this not just about money. It is about responsibility, change, loss and acceptance. This is why a financial adviser who specialises in divorce needs to be sensitive as well as practical. They must be able to bring a calm, external, independent perspective and provide solutions that will serve the needs of all parties.

*Here are two cases where specialist financial advice has helped resolve difficult property settlement issues*

## » Sandra the nurse

Sandra, 45 and Colin ran a successful retail business. The business was run through a private company of which they were both equal shareholders. They had a joint Self Managed Super Fund (SMSF) which invested in cash, a share portfolio, and a private unlisted property trust which owned a commercial office building.

When they divorced the terms of the settlement were:

Colin received:

- The business and all of the business premises
- 50% of the superannuation

Sandra received:

- The family home
- 50% of the superannuation

After the divorce Sandra went back to working as a full-time nurse for a public hospital.

### Sandra's dilemma

Sandra was unsure how to structure her superannuation given that she was now working in the public system and would automatically become a member of the government industry superannuation plan. She did not know which investments, if any, within the SMSF she should retain.

Sandra wanted to distance herself from her former husband's affairs and did not wish to remain a member of the SMSF.

### Problem solved

Sandra consulted a financial adviser at Farrow Wyatt who reviewed the investments of the SMSF. It was determined that the existing share portfolio investment was too aggressive for her risk profile. However, the unlisted property trust held a quality property which had substantial capital growth potential.

Her specialist financial adviser recommended that she set up her own SMSF and roll over her share of cash as well as a proportionate number of units in the unlisted property trust. Hence, Sandra could retain an investment in the unlisted property trust for the longer term and the cash was invested in a portfolio of managed funds which better suited her more conservative investor risk profile. Although both she and her ex-husband still each have an interest in the unlisted property trust (via their own SMSF) they can manage that investment quite independently of each other.

She also maintains her government industry super fund where her employer contributions are made and she receives cost effective life and income protection insurance.

As Sandra was busy working and re-establishing her life as a single person she did not want to be overly involved in the management of the SMSF and its investment portfolio. She does, however, want to have some control over how her super is invested. Her specialist financial adviser manages her superannuation portfolio and meets with Sandra annually to review her fund and her life's goals to ensure that she is on track and will be able to eventually retire to a lifestyle that suits her.

## » Glen the mineworker

Glen, 56 separated from his long term partner, Ann, who had previously managed the financial affairs of the family.

In the property settlement, Glen received:

- \$80,000 cash from their joint savings account
- All of his own industry superannuation fund plus a share of Ann's personal super fund
- A share portfolio valued at \$250,000
- An onsite caravan at the coastal holiday town of Foster.

Glen enjoys fishing and expects that he will spend more time doing this in retirement.

### Glen's predicament

Glen wants to buy a small unit to live in during the week. At week-ends he escapes to his caravan at Foster.

He does not want to have to borrow money to buy a home but cannot see any other alternative.

He prefers to keep his portfolio of shares as he enjoys "keeping an eye" on the stock market. But as he is a shift worker he does not want to have to worry about paperwork as he often misplaces documents.

He expects to have to keep working until he is 65 as he feels that he does not have enough saved to retire any sooner.

### A happy solution

Glen's Farrow Wyatt financial adviser suggested that he use some of his cash as a deposit on a small unit.

After analysing his share portfolio, his adviser identified those shares which could be sold without incurring capital gains tax. Hence, Glen sold about \$200,000 of the share portfolio. These proceeds were used to pay for the balance of his unit.

To minimise tax, Glen's financial adviser recommended that he borrow \$200,000 using his unit as security and invest back into the share market. Glen can repay this loan over the next 7 to 9 years.

Glen's adviser also helped him to consolidate all of his super to his industry superannuation fund and change his death benefit beneficiary nominations in his super fund to his adult children. He prepared a new will and power of attorney nominating his children as executors, beneficiaries and attorneys.

As Glen was 56, his financial adviser helped him to start a Transition to Retirement Strategy. He salary sacrifices up to the maximum limit to his industry super fund and draws a Transition to Retirement Income Stream. This allowed him to save more for his retirement quicker.

As a result of this advice Glen:

- Has a home to live in without a home loan
- Is debt free by age 65
- Has reduced his tax by an average of over \$7,000 each year until his retirement
- Has increased his wealth by over \$90,000 by age 65.
- Can retire 2 years earlier if he chooses

Glen now enjoys his weekends fishing at Foster without the burden of having to work excessive overtime to make ends meet.

### Where to find the answers

Farrow Wyatt's specialist financial advisers have the know-how to help you avoid the pitfalls and achieve the best outcome including:

#### Financial planning

- Expertise in re-evaluation of financial strategies as life circumstances change and evolve
- Dividing property that has an existing mortgage
- Wealth creation and protection strategies
- Retirement planning for singles, couples, families
- Estate planning advice

#### Superannuation

- Superannuation splitting – the process, the pitfalls and the tax advantages
- Strategies for using superannuation for effective wealth creation and tax minimisation
- Self-managed superannuation funds-fully integrated strategy and investment planning, taxation and compliance

We will work with you and your lawyer and accountant, to ensure that everything is covered.



## About Farrow Wyatt

What you can expect from us is professional, unbiased, integrated financial advisory services from experienced Certified Financial Planners™. All services are delivered on a fee for service basis, so you know where you stand at all times.

Farrow Wyatt Financial Services Pty Ltd is the financial planning division of Farrow Wyatt, one of the largest accounting and advisory practices in the Hunter region and a BRW Top 100 Accounting Firm.

The financial planning principal and the six Farrow Wyatt accounting principals all formerly worked with Big Four accounting firms before coming together to focus on serving the Hunter. We have retained the quality of service and technical excellence that the big firms constantly target, and applied those standards to advising and supporting our clients. We pride ourselves on providing quality, unbiased and technically excellent advice to our clients. We aim to deliver the standard of advice and service expected in a large firm with the personal attention available in a regional firm.

## Who is Hillross?

Hillross Financial Services Limited was established in 1987 and has built a reputation as being one of Australia's most respected financial advisory groups. Hillross looks after nearly \$11 billion in client funds and has over 300 financial advisers, supporting individuals and businesses across the country. Financial advisers undergo stringent assessment before being accepted to operate as an Authorised Representative of Hillross Financial.

Hillross supports its network of financial advisers by providing product research, technical support, legislative compliance advice, professional development and account management.

## What to do next?

Our expert Financial Adviser, Jennifer Leslie BCom, FCA-FPS, CFP® is available to listen to you about your situation. She will work with you to arrive at solutions that meet your needs and goals.

Jennifer is professionally qualified as a Chartered Accountant and Certified Financial Planner®. She is a Fellow of the Institute of Chartered Accountants in Australia and a member of the Financial Planning Association of Australia. In 2007 she was recognised as the Hillross Financial Planner of the Year.

*Contact Jennifer Leslie on 4931 6000 at Farrow Wyatt Financial Services if you would like further financial assistance.*

**Disclaimer:** Please note that the information in this brochure is of a general nature only and does not take into account your personal financial circumstances and needs. Please seek personal financial advice prior to making any financial decisions. Farrow Wyatt Financial Services Pty Ltd is an authorised representative of Hillross Financial Services Limited ABN 77 003 323 055 AFSL 232705.



**FARROW.WYATT**  
FINANCIAL SERVICES

# »» What to do when your relationship breaks down

## Checklist

- 1. Engage an expert family lawyer - for specialist advice on your rights and entitlements.
- 2. Engage a specialist financial adviser - to ensure your property settlement (including any superannuation splitting) is structured to your best advantage.
- 3. Consider inviting the other party to mediation as an alternative to the court process. The mediation process could involve your accountant or financial adviser assisting in a round table settlement, which could be useful and cost-effective in complex cases.
- 4. Prepare a list of all your assets and liabilities - include everything of value (e.g. home, furniture, cars, investments, superannuation, mortgages, personal loans). Gather documents, such as bank statements and superannuation reports, to support your list. Obtain valuations or market appraisals of significant items of property.
- 5. If there are children contact the Family Relationship Advice line - 1800 050 321 or visit [www.familyrelationships.gov.au](http://www.familyrelationships.gov.au). Consider arranging family mediation to resolve any conflicts, or for help in working out a parenting plan. The advice line can refer you to available mediation services.
- 6. Review all personal insurance policies - you may wish to remove your "ex" as a beneficiary.
- 7. Review your superannuation fund death benefit nominees - you may wish to change this.
- 8. Contact your lawyer to update your will and powers of attorney (if applicable). Different beneficiaries and executors may be required. Did you know that separation, property settlement and divorce does not affect the validity of your existing will?
- 9. Contact Centrelink - you may be entitled to new or different government benefits.
- 10. Contact Child Support Australia in relation to child support payments. Check out information on the Child Support Agency website – [www.csa.gov.au](http://www.csa.gov.au) – about your rights and obligations. This contains a useful estimator and advice about review procedures.

*Further information can be found at [www.familylawcourts.gov.au](http://www.familylawcourts.gov.au) or phone 1300 352 000*

## Contact us

Farrow Wyatt Financial Services  
Tel (02) 4931 6000  
Fax (02) 4933 3653  
Email: [admin@farrowwyatt.com.au](mailto:admin@farrowwyatt.com.au)  
20-22 Church Street Maitland NSW  
PO Box 117 Maitland 2320  
[www.farrowwyatt.com.au](http://www.farrowwyatt.com.au)



**FARROW.WYATT**  
FINANCIAL SERVICES